

Bet-at-home.com AG

Neutral → | Target 75.00 EUR vs 94.00 EUR ↘

Price (27/07/2018) : 71.80 EUR | Upside : 4 %

	Est. chg	2018e	2019e
EPS		-6.4%	-10.1%

Weak H1 results due to Poland; increased marketing spend for FIFA World Cup still needs to pay off; further model adjustments due to Switzerland

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Sources : Oddo BHF Securities, Fininfo

Capital

ACX GR ARTG.DE	
Market Cap (EURm)	504
Enterprise value (EURm)	444
Extrema 12 months	63.05 - 127.6
Free Float (%)	28.7

Performance (%)	1m	3m	12m
Absolute	7.4	-11.2	-31.7
Perf. rel. Country Index	4.1	-12.9	-33.4
Perf. rel. Hotel / Leisure	8.1	-11.7	-32.8

P&L	12/18e	12/19e	12/20e
Sales (EURm)	122	121	127
EBITDA (EURm)	36.1	35.6	37.4
Current EBIT (EURm)	34.9	34.4	36.2
Attr. net profit (EURm)	31.9	31.4	33.0
Adjusted EPS (EUR)	4.55	4.48	4.71
Dividend (€)	7.00	6.22	5.62

P/E (x)	15.8	16.0	15.3
P/B (x)	7.2	9.6	12.0
Dividend Yield (%)	9.8	8.7	7.8
FCF yield (%)	8.0	5.9	6.6
EV/Sales (x)	3.48	3.68	3.59
EV/EBITDA (x)	11.8	12.5	12.2
EV/Current EBIT (x)	12.2	12.9	12.6
Gearing (%)	-114	-114	-115
Net Debt/EBITDA(x)	ns	ns	ns

Next Events

30/07/2018	Earnings Release
05/11/2018	Earnings Release
04/03/2019	Earnings Release

H1 2018 misses, but H2 has all the ingredients for a recovery

Bet-at-home released its H1 2018 results, which came in below our estimates, particularly in terms of earnings. The company reported gross betting revenues of € 66.6m (Q2 2017: € 76.8m) resulting in net betting and gaming revenue of € 52.2m, down 15% yoy, and € 6.5m below our estimate. (Note that a significant part of the FIFA World Cup revenues from betting and gambling was generated in July / Q3 and therefore not included in the reported H1 results). According to management, the exclusion of the Poland operations again played a major role in the top-line weakness. Furthermore, in Q2 the group invested in marketing campaigns to capture opportunities presented by the FIFA World Cup. As a result, H1 2018 EBITDA of € 10.3m was down € 6.4m yoy and significantly below expectations. However, the increased marketing efforts increased its registered user base by more than 6% yoy to 5m. According to our estimates, H2 2018 has all the ingredients for a recovery. In particular, Q3 will include the revenues from the semi-finals and finals (generally attract more betting) of the FIFA World Cup (14 June – 15 July). Nevertheless, we have adjusted our estimates for the weaker results and more demanding business environment.

Full-year 2018 guidance: lower end now looks likely

Management reiterated its full-year 2018 guidance for gross betting and gaming revenues of € 150m (in line with our revised estimate of € 150.7m) and EBITDA of € 36-40m. Our revised EBITDA estimate of € 36.1m stands at the lower end of the range. Based on historical seasonality, however, the H2 recovery needed to meet the guidance is not unrealistic, especially for a year with a major sporting event. In 2016, for example, the group achieved a similar recovery. The significantly increased registered user base of now 5m support these expectations.

Recent legislative changes for online casinos decrease visibility

Last year Poland banned foreign online betting and casino providers, which resulted in a significant loss of revenue for the group. Recently, Switzerland, like Poland, also decided to introduce a ban on foreign online casinos. As mentioned in our last note, Austria had also discussed such a ban but took it off the table again. An Austrian ban would have had harsh consequences for bet-at-home since it generates >20% of its total group revenue there. The significant share price volatility around the Austrian news was therefore logical. The share price showed a similar reaction to the Swiss news, which however was an over-reaction since Switzerland's contribution to group revenue is only marginal (e.~2-4%) compared to Austria. We have nonetheless fine-tuned our model accordingly.

TP reduced to € 75 from € 94; Neutral

All in all, the H1 results underlined the fact that Poland is still an impediment, but that this should be offset going forward by mega-events like the UEFA EURO 2020. Having updated our model, however, we now derive a new DCF-based TP of € 75.00 (old: € 94.00). We maintain our Neutral recommendation on the stock due to decreasing visibility and increasing uncertainties regarding legislative and regulatory changes potentially affecting the group's business model. To justify an upgrade, the shares will clearly need a new trigger besides DPS, which we do not see on the short-term horizon.

Henning Steinbrink (Analyst)
+49 (69) 71 83 672
henning.steinbrink@oddo-bhf.com

Michele Sassano
+49 (69) 71 83 676
michele.sassano@oddo-bhf.com

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ARTG.DE | ACX GR
Leisure | Germany

Neutral
Upside 4.46%

Price 71.80EUR
TP 75.00EUR

	12/13	12/14	12/15	12/16	12/17	12/18e	12/19e	12/20e
PER SHARE DATA (EUR)								
Adjusted EPS	4.13	7.31	8.23	4.42	4.68	4.55	4.48	4.71
Reported EPS	4.13	7.31	8.23	4.42	4.68	4.55	4.48	4.71
Growth in EPS(%)	ns	76.8%	12.6%	-46.3%	5.9%	-2.9%	-1.5%	5.2%
Net dividend per share	0.80	1.20	4.50	7.50	7.50	7.00	6.22	5.62
FCF to equity per share	5.57	6.86	7.74	8.31	6.53	5.72	4.21	4.71
Book value per share	12.71	19.22	26.30	15.80	12.98	10.03	7.50	5.99
Number of shares market cap	3.51	3.51	3.51	7.02	7.02	7.02	7.02	7.02
Number of diluted shares	3.51	3.51	3.51	7.02	7.02	7.02	7.02	7.02
VALUATION								
12m highest price	17.95	29.49	49.88	84.90	150	105		
12m lowest price	10.06	16.94	27.80	43.02	82.27	63.05		
(*) Reference price	12.98	22.36	36.96	64.90	111	71.80	71.80	71.80
Capitalization	45.5	78.5	130	455	780	504	504	504
Restated Net debt	-22.0	-30.3	-53.3	-99.5	-92.5	-80.0	-59.9	-48.3
Minorities (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial fixed assets (fair value)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value	23.5	48.2	76.4	356	688	424	444	456
P/E (x)	3.1	3.1	4.5	14.7	23.7	15.8	16.0	15.3
P/CF (x)	2.2	2.5	4.4	14.2	22.8	15.2	15.4	14.3
Net Yield (%)	6.2%	5.4%	12.2%	11.6%	6.7%	9.8%	8.7%	7.8%
FCF yield (%)	42.9%	30.7%	20.9%	12.8%	5.9%	8.0%	5.9%	6.6%
P/B incl. GW (x)	1.02	1.16	1.41	4.11	8.56	7.16	9.57	11.99
P/B excl. GW (x)	1.05	1.19	1.43	4.16	8.69	7.30	9.83	12.40
EV/Sales (x)	0.32	0.51	0.76	3.15	5.84	3.48	3.68	3.59
EV/EBITDA (x)	1.6	1.8	2.4	10.8	19.4	11.8	12.5	12.2
EV/EBIT (x)	1.6	1.9	2.5	11.2	20.1	12.2	12.9	12.6
(*) historical average price								
PROFIT AND LOSS (EURm)								
Sales	75	95	100	113	118	122	121	127
EBITDA	15.0	26.7	31.7	33.0	35.5	36.1	35.6	37.4
Depreciations	-0.7	-0.9	-0.9	-1.2	-1.3	-1.2	-1.2	-1.2
Current EBIT	14.3	25.8	30.8	31.9	34.1	34.9	34.4	36.2
Published EBIT	14.3	25.8	30.8	31.9	34.1	34.9	34.4	36.2
Net financial income	1.1	1.7	2.0	2.2	1.5	0.2	0.1	0.1
Corporate Tax	-0.9	-1.8	-4.0	-3.1	-2.8	-3.2	-3.1	-3.3
Net income of equity-accounted companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit/loss of discontinued activities (after tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attributable net profit	14.5	25.6	28.9	31.0	32.8	31.9	31.4	33.0
Adjusted attributable net profit	14.5	25.6	28.9	31.0	32.8	31.9	31.4	33.0
BALANCE SHEET (EURm)								
Goodwill	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Other intangible assets	0.8	1.0	2.0	2.7	3.5	4.3	5.0	5.8
Tangible fixed assets	0.9	2.1	3.9	5.5	7.0	8.3	9.4	10.3
WCR	19.5	32.7	31.7	1.9	-13.2	-23.5	-23.0	-23.7
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ordinary shareholders equity	44.6	67.5	92.3	111	91.1	70.4	52.7	42.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders equity	44.6	67.5	92.3	111	91.1	70.4	52.7	42.0
Non-current provisions	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	-22.0	-30.3	-53.3	-99.5	-92.5	-80.0	-59.9	-48.3
CASH FLOW STATEMENT (EURm)								
EBITDA	15.0	26.7	31.7	33.0	35.5	36.1	35.6	37.4
Change in WCR	-0.8	-4.4	1.0	29.8	15.1	10.3	0.0	0.7
Interests & taxes	0.2	-0.2	-1.9	-0.9	-1.3	-3.0	-3.0	-3.2
Others	5.5	4.3	0.0	0.0	0.0	0.0	0.0	1.0
Operating Cash flow	19.9	26.4	30.8	62.0	49.3	43.4	32.6	36.0
CAPEX	-0.4	-2.4	-3.7	-3.7	-3.4	-3.2	-3.1	-2.9
Free cash-flow	19.5	24.1	27.2	58.3	45.8	40.2	29.5	33.0
Acquisitions / disposals	-32.0	-13.0	-0.1	0.0	0.0	0.0	0.0	0.0
Dividends	-4.2	-2.8	-4.2	-15.8	-52.6	-52.6	-49.1	-43.7
Net capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.1	3.7	-0.2	0.0	-0.5	-1.0
Change in net debt	-16.7	8.3	23.0	46.2	-7.0	-12.5	-20.1	-11.6
GROWTH MARGINS PRODUCTIVITY								
Sales growth	-1.1%	26.9%	5.9%	12.5%	4.3%	3.6%	-1.0%	5.0%
Lfl sales growth								
Current EBIT growth	ns	80.4%	19.4%	3.5%	7.1%	2.1%	-1.2%	5.2%
Growth in EPS(%)	ns	76.8%	12.6%	-46.3%	5.9%	-2.9%	-1.5%	5.2%
Net margin	19.4%	27.1%	28.8%	27.5%	27.9%	26.2%	26.0%	26.1%
EBITDA margin	20.1%	28.2%	31.6%	29.3%	30.1%	29.6%	29.5%	29.5%
Current EBIT margin	19.2%	27.2%	30.7%	28.2%	29.0%	28.6%	28.5%	28.6%
CAPEX / Sales	-0.5%	-2.5%	-3.6%	-3.2%	-2.9%	-2.7%	-2.5%	-2.3%
WCR / Sales	26.1%	34.5%	31.6%	1.7%	-11.2%	-19.3%	-19.0%	-18.7%
Tax Rate	5.9%	6.6%	12.1%	9.1%	7.9%	9.0%	9.0%	9.0%
Normative tax rate	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	ns
Asset Turnover	8.2	3.2	2.6	4.5	23.4	-22.2	-14.3	-18.9
ROCE post-tax (normative tax rate)	ns	62.1%	58.2%	91.0%	ns	ns	ns	ns
ROCE post-tax hors GW (normative tax rate)	ns	65.1%	60.4%	96.3%	ns	ns	ns	ns
ROE	36.8%	45.8%	36.2%	30.5%	32.5%	39.5%	51.1%	69.8%
DEBT RATIOS								
Gearing	-49%	-45%	-58%	-90%	ns	ns	ns	ns
Net Debt / Market Cap	-0.48	-0.39	-0.41	-0.22	-0.12	-0.16	-0.12	-0.10
Net debt / EBITDA	ns	ns	ns	ns	ns	ns	ns	ns
EBITDA / net financial charges	-13.6	-16.1	-15.6	-14.9	-23.4	-180.3	-356.3	-374.1

Source: ODDO BHF Securities, Fininfo



• **Valuation method**

Our target prices are established on a 12-month timeframe and we use three valuation methods to determine them. First, the discounting of available cash flows using the discounting parameters set by the Group and indicated on Oddo BHF' website. Second, the sum-of-the-parts method based on the most pertinent financial aggregate depending on the sector of activity. Third, we also use the peer comparison method which facilitates an evaluation of the company relative to similar businesses, either because they operate in identical sectors (and are therefore in competition with one another) or because they benefit from comparable financial dynamics. A mixture of these valuation methods may be used in specific instances to more accurately reflect the specific characteristics of each company covered, thereby fine-tuning its evaluation.

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Neutral: performance expected to be comparable to that of the benchmark index, sectoral (large caps) or other (small and mid caps).

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Date	Reco	Price Target (EUR)	Price (EUR)	Analyst
17/05/18	Neutral	94.00	90.30	Henning Steinbrink

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		Buy	Neutral	Reduce
Our whole coverage	(465)	51%	41%	8%
Liquidity providers coverage	(155)	46%	48%	5%
Research service coverage	(59)	56%	37%	7%
Investment banking services	(42)	71%	24%	5%

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